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December 16, 2005

Mr. Jerome Hamilton
President
East Daviess County Water Association, Inc.
9210 Highway 144
Philpot, KY 42366

CERTIFICATE OF SERVICE

RE: Case No. 2005-00484
East Daviess County Water Association, Inc.

I, Beth O'Donnell, Executive Director of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the addressee by U.S. Mail on December 16, 2005.

A handwritten signature in black ink, appearing to read "Beth O'Donnell", written over a horizontal line.

Executive Director

BOD/jc
Enclosure

Mr. Jerome Hamilton
President
East Daviess County Water
Association, Inc
9210 Highway 144
Philpot, KY 42366

Honorable Damon R. Talley
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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF EAST DAVIESS COUNTY)	
WATER ASSOCIATION, INC., DAVIESS,)	
HANCOCK, AND OHIO COUNTIES, KENTUCKY,)	
FOR (1) A CERTIFICATE OF PUBLIC)	
CONVENIENCE AND NECESSITY)	
AUTHORIZING CONSTRUCTION OF MAJOR)	
ADDITIONS AND IMPROVEMENTS TO ITS)	
WATER DISTRIBUTION SYSTEM; (2) APPROVAL)	CASE NO.
OF REVISED WATER SERVICE RATES AND)	2005-00484
CHARGES; AND (3) APPROVAL OF THE)	
PROPOSED PLAN OF FINANCING, PURSUANT)	
TO THE PROVISIONS OF KRS 278.023 AND 807)	
KAR 5:069)	

O R D E R

On November 29, 2005, East Daviess County Water Association, Inc. ("East Daviess") submitted an application for a Certificate of Public Convenience and Necessity to construct, finance, and increase rates for a \$1,160,000 waterworks improvement project. This project consists of constructing a 300,000-gallon elevated water storage tank in the Yelvington area and installing approximately 28,000 feet of 10-inch water transmission main from Pellville to the Roseville Tank.

East Daviess proposes to finance the construction of the project through a loan from the U.S. Department of Agriculture, Rural Development ("RD") in the amount of \$585,000; a Kentucky Infrastructure Authority 2020 Grant in the amount of \$100,000; a Coal Development Fund Grant in the amount of \$250,000; and a Tobacco/Coal Grant in the amount of \$225,000. The RD loan is for a 40-year term with an interest rate not to exceed 4.375 percent. East Daviess's application was made pursuant to KRS 278.023,

which requires the Commission to accept agreements between water utilities and the U.S. Department of Agriculture or the U.S. Department of Housing and Urban Development, and to issue the necessary orders to implement the terms of such agreements within 30 days of satisfactory completion of the minimum filing requirements. Given that minimum filing requirements were met in this case on November 29, 2005, KRS 278.023 does not grant the Commission any discretionary authority to modify or reject any portion of this agreement.

IT IS THEREFORE ORDERED that:

1. East Daviess is granted a Certificate of Public Convenience and Necessity for the proposed construction project.

2. East Daviess's proposed plan of financing with RD is accepted.

3. East Daviess is authorized to borrow \$585,000 from RD at an interest rate not exceeding 4.375 percent per annum for a term of 40 years.

4. The proceeds from the RD loan shall be used only for the purposes specified in East Daviess's application.

5. Notwithstanding Ordering Paragraph 4, if surplus funds remain after the approved construction has been completed, East Daviess may use such surplus to construct additional plant facility if RD approves of the use, and the additional construction will not result in a change in East Daviess's rates for service. East Daviess shall provide written notice of this additional construction in accordance with 807 KAR 5:069, Section 3.

6. East Daviess shall file a copy of the "as-built" drawings and a certified statement that the construction has been satisfactorily completed in accordance with the

contract plans and specifications within 60 days of the substantial completion of the construction certified herein.

7. East Daviess shall monitor the adequacies of the expanded water distribution system after construction. If the level of service is inadequate or declining, or the pressure to any customer is outside the requirements of 807 KAR 5:066, Section 5(1), East Daviess shall take immediate action to ensure that the level of service conforms to the regulations of the Commission.

8. East Daviess shall notify the Commission one week prior to the actual start of construction and at the 50 percent completion point.

9. The rates set out in Appendix A, which is attached hereto and incorporated herein, are the rates approved for service rendered on and after the date of this Order.

10. Within 30 days of the date of this Order, East Daviess shall file with the Commission its revised tariffs setting out the rates approved herein.

11. Three years from the effective date of this Order, East Daviess shall file an income statement, along with any pro forma adjustments, in sufficient detail to demonstrate that the rates approved herein are sufficient to meet its operating expenses and annual debt service requirements.

Nothing contained herein shall be deemed a warranty of the Commonwealth of Kentucky, or any agency thereof, of the financing herein accepted.

Done at Frankfort, Kentucky, this 16th day of December, 2005.

By the Commission

ATTEST



Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2005-00484 DATED December 16, 2005.

The following rates and charges are prescribed for the customers in the area served by East Daviess County Water Association, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

Monthly Water Rates

First	2,000 gallons	\$ 13.85	Minimum bill
Next	4,000 gallons	4.60	per 1,000 gallons
Next	44,000 gallons	3.65	per 1,000 gallons
Over	50,000 gallons	2.95	per 1,000 gallons